EXHIBIT
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JAYCOR

Memorandum

[redacted]

To: Peter Coakley

From: Ed Vasel –EV–

Subject: **Phone Contact with Prototype Paintball Manufacturer – Perfect Circle Paintball**

I spoke with Gary Gibson of Perfect Circle Paintball, which is a division of Air Gun Design. He was very helpful and very open to working with Jaycor to produce prototype, polystyrene Pepperballs.

He said that a few companies had come to him in the past requesting fills including OC liquid. The liquid OC balls did not appear to atomize sufficiently to produce the desired effect. Nothing ever came of the initial tests. Our internal tests with simulated and OC powder products produced better atomized clouds. (This liquid test data parallels our own internal liquid test results.)

Mr. Gibson also said that they currently have a contract with the Army to produce paint filled prototype 68 caliber "kinetic" rounds weighing about 8 grams for marking targets at 100 meters. (Paintballs usually weigh about 3 grams.)

Since Perfect Circle is in the ball production business and not the R&D business, they would propose a working relationship where:

- Jaycor would specify type and fill in balls and would own the proprietary rights to those balls.
- Jaycor will furnish fill materials.
- They will produce prototypes in very small or large quantities with pricing based on complexity, fill material and quantity ordered. Current maximum production capacity is 10,000,000 balls/year.
- Hazardous fill material, such as OC liquid or OC powder, would be done only on Sundays when the rest of the line is on idle. Allow 6 weeks for delivery unless other arrangements are made.

If desired, they will share their previous experience with us to move us closer to production type numbers ASAP. Perfect Circle feels that powder will make the balls too light to carry to distant targets. Also, paintballs, by nature, are inaccurate at a distance.

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My thoughts on this are that the round smooth balls experience primarily laminar flow pattern with high pressure drag giving short unpredictable flight paths. By creating primarily turbulent flow over all or most of the ball surface through scoring or dimples we could lower the pressure drag (ala, golfballs) and enhance the accuracy and range of the Pepperballs. Dimples and scoring may also enhance fracturing and powder dispersion.

Gary is sending us samples both liquid filled and empty shells, to test. If they prove to be useful with our OC powder we can have powder filled polystyrene projectile samples in 6 weeks.

Since polystyrene has some properties superior to gel caps such as: long shelf life, and excellent temperature/humidity characteristics, I recommend we proceed with smooth polystyrene balls first to get some close range (0-35') samples to field tests against other shell materials such as gel caps, vinyl, calcium carbonate, sodium alginate, etc.

Our second prototype design for improved distance/accuracy would involve solving the problems of light powder fill mass, and laminar/turbulent flow. Polystyrene would lend itself to wall texturing, dimples or scoring, so I recommend we cost out this type of prototype and if reasonable, proceed with test units ASAP.

I am currently searching out other manufacturers to provide us with different types of prototype Pepperballs. However, Perfect Circle appears to allow us a big step towards working prototypes.

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